

PUBLIC DISCLOSURE

NOVEMBER 7, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

PeoplesBank

CERT # 90213

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**Federal Deposit Insurance Corporation
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NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **PeoplesBank (or the "Bank")**, prepared by the Division and FDIC, the institution's supervisory agencies as of November 7, 2011. The Division and the FDIC evaluate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations, respectively.

INSTITUTION'S CRA RATING

INSTITUTION'S CRA RATING:

This institution is rated "Satisfactory"¹ by the FDIC.

This institution is rated "High Satisfactory" by the Division.

An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following table indicates the performance level of PeoplesBank with respect to the Lending, Investment, and Service tests.

PERFORMANCE LEVELS	PeoplesBank		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Satisfactory**			
Needs to Improve			
Substantial Noncompliance			

* Note: The Lending test is weighted more heavily than the Investment and Service tests when arriving at an overall rating.

**Note: FDIC rules and regulations stipulate use of a "high satisfactory" and "low satisfactory" rating for the three tests to categorize performance within a "satisfactory" range. For purposes of this jointly issued public evaluation, the term "satisfactory" will be used in lieu of the low satisfactory rating for the lending, investment, and service tests.

¹ The FDIC's CRA regulation does not have separate categories within the Satisfactory rating, whereas the Division's CRA regulation allows for either a High Satisfactory or Satisfactory rating.

LENDING TEST

The lending test is rated High Satisfactory based on the following:

- PeoplesBank's lending activity reflects good responsiveness to assessment area credit needs.
- A substantial majority of the Bank's residential and small business loan originations benefited residents and businesses inside the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, a good penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects a good dispersion throughout the assessment area.
- During the evaluation period, the Bank had an adequate level of community development loans within the assessment area. The Bank originated 8 community development loans totaling \$1.2 million in its assessment area during the evaluation period.
- The Bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs.

INVESTMENT TEST

The investment test is rated High Satisfactory based on the following:

- PeoplesBank has a significant level of qualified investments. For the most part these investments are not considered innovative and complex; however, they do support community development initiatives and the Bank exhibits a good responsiveness to credit and community economic development needs.

SERVICE TEST

The service test is rated High Satisfactory based on the following:

- The Bank's services are readily accessible to essentially all portions of the assessment area. During the evaluation period, the Bank opened three new branches, one in a moderate-income census tract, thereby further improving the accessibility of its services to assessment area residents. No branches were closed in low- or moderate-income areas during the evaluation period. The Bank's business hours and services do not vary in a way that inconveniences any portions of the assessment area residents. The Bank provides a relatively high level of community development services.

PERFORMANCE CONTEXT

DESCRIPTION OF INSTITUTION

PeoplesBank is a full-service Massachusetts chartered stock savings bank headquartered in Holyoke, Massachusetts. The Bank was founded in 1885 as a mutual savings bank and was converted to stock ownership in 2003. PeoplesBancorp, MHC, a mutual savings bank headquartered in Holyoke, Massachusetts, is the sole stockholder of PeoplesBank. The Bank maintains several subsidiaries: TNOP, Inc., which holds OREO property; Arundo, Inc., a Massachusetts securities corporation; PBHQ Whitney, Inc., which manages the Bank's headquarters facility; and PeoplesBank CDE, LLC, a community development entity as designated by the U.S. Treasury Department. The Bank has two new subsidiaries since the prior evaluation: PB Partners, Inc., a securities corporation, and NEFWC, Inc., a community development entity.

The Bank's main office is located at 314 High Street in Holyoke, Massachusetts. In addition, the Bank operates 16 branch offices, consisting of three in Springfield, two each in Chicopee, Holyoke, Longmeadow, and South Hadley; and one each in Amherst, East Longmeadow, Hadley, West Springfield, and Westfield, Massachusetts. Two branches were opened in Springfield and one in Longmeadow in 2010. In 2011, the Bank opened a branch in West Springfield. The West Springfield branch is in a moderate-income census tract, while the Springfield and Longmeadow branches are in middle- and upper-income census tracts, respectively. PeoplesBank operates automated teller machines (ATMs) at each of its offices and an additional twelve ATMs that are not part of the Bank's branch system. The Bank's offices are all located within Hampden and Hampshire Counties and are within the Springfield, Massachusetts Metropolitan Statistical Area ("MSA").

According to the September 30, 2011 Report of Condition and Income (Call Report), the Bank had total assets of \$1.65 billion. Assets increased 17.3 percent since June 30, 2008. The Bank's net loans represent 57.1 percent of total assets, a decrease of 19.4 percent during the same period.

The Bank's net loan-to-deposit (NLTD) ratio was 79.5 percent at September 30, 2011, based on net loans of \$945.8 million and deposits of \$1.19 billion. The Bank's average NLTD ratio over the 14 quarters since the last evaluation is approximately 100.4 percent. While this ratio is higher than that of two area banks similar to PeoplesBank in size and composition (average LTD ratios for these banks were 89.6 percent and 90.6 percent, respectively), PeoplesBank's LTD ratio does not fully reflect the Bank's lending activities since it does not account for loans originated and sold. Between June 30, 2008, and September 30, 2011, PeoplesBank sold 1,165 loans totaling \$208.7 million to secondary market investors.

As the data in Table 1 shows, the Bank's loan portfolio predominantly consists of residential and commercial real estate loans. The greatest share of the real estate loan portfolio is secured by commercial real estate (43.2 percent). Residential real estate lending also plays a significant role in the Bank's lending strategy, with 38.6 percent of the loan portfolio comprised of 1-4 family residential loans and 8.8 percent comprised of multi-family residential loans. Commercial and industrial loans accounted for 4.6 percent while other loan types accounted for 4.8 percent of the loan portfolio.

Table 1 details the distribution of the Bank's loan portfolio at September 30, 2011.

Table 1 Loan Portfolio at September 30, 2011		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction and Land Development	\$34,222	3.6
1-4 Family Residential	\$368,914	38.6
Multi-Family (5 or more) Residential	\$83,710	8.8
Commercial Real Estate	\$413,319	43.2
Farmland	\$0	0.0
Total Real Estate Loans	\$900,165	94.2
Commercial and Industrial	\$43,988	4.6
Consumer	\$2,124	0.2
Farm	\$0	0.0
Other	\$9,274	1.0
Total Loans	\$955,551	100.0

Source: Report of Condition and Income (Call Report).

The FDIC and Division last evaluated the Bank's CRA performance on June 25, 2008, and assigned an overall rating of "Satisfactory" and "High Satisfactory," respectively. There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the community's credit needs remains strong.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define an assessment area within which its CRA performance will be evaluated. Generally, an assessment area should consist of Metropolitan Statistical Areas (MSAs), Primary Metropolitan Statistical Areas (PMSAs), or contiguous political subdivisions such as counties, cities, or towns. Further, an assessment area should not arbitrarily exclude any low- or moderate-income area(s) taking into account the institution's size and financial condition.

PeoplesBank's assessment area consists of the 21 towns and cities within Hampden County: Agawam, Blandford, Brimfield, Chester, Chicopee, East Longmeadow, Granville, Hampden, Holland, Holyoke, Longmeadow, Ludlow, Monson, Palmer, Southwick, Springfield, Toland, Wales, West Springfield, Westfield, and Wilbraham; and the 20 towns and cities within Hampshire County: Amherst, Belchertown, Chesterfield, Cummington, Easthampton, Goshen, Granby, Hadley, Hatfield, Huntington, Middlefield, Northampton, Pelham, Plainfield, South Hadley, Southampton, Ware, Westhampton, Williamsburg, and Worthington. All of these towns are located in the Springfield, Massachusetts MSA. The assessment area as currently defined meets the technical requirements of the regulation.

The Bank's assessment area is comprised of 124 census tracts. The assessment area contains 17 tracts (13.7 percent) that are classified as low-income, 20 tracts (16.1 percent) that are classified as moderate-income, 54 tracts (43.6 percent) that are classified as middle-income, and 32 tracts (25.8 percent) that are classified as upper-income. In addition, one other tract (0.8 percent) represents the campus at the University of Massachusetts. As it contains minimal residential property, income data is not available for this tract.

Table 2 below provides pertinent demographic information for PeoplesBank's assessment area.

Table 2 Demographic Information (2011)					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)(.8 N/A)	124	13.7	16.1	43.6	25.8
Population by Geography	608,479	9.4	17.9	47.0	25.7
Owner-Occupied Housing by Geography	144,891	2.6	11.2	54.7	31.5
Business by Geography	36,022	11.3	15.0	46.0	27.7
Family Distribution by Income Level	150,449	21.8	17.1	22.0	39.1
Distribution of Low and Moderate Income Families throughout AA Geographies	58,586	16.9	23.5	45.2	14.4
HUD Adjusted MFI for 2011 Households Below Poverty Level		\$69,300 13.1%	Median Housing Value Unemployment Rate (2000 US Census)	\$119,062 2.8%	

Source: 2000 US Census Data, 2011 HUD updated MFI

Of the 244,520 housing units in the area in the 2000 Census, 59.3 percent were owner-occupied and 35.3 percent were rental units. Regardless of the census tract category in which they are located, low- and moderate-income families represent approximately 21.8 percent and 17.1 percent, respectively, of all families within the Bank's assessment area. A closer look at the households in the assessment area reveals that 13.1 percent have income levels below the poverty level and 4.7 percent receive some form of public assistance. This poverty rate typically indicates a reduced ability to secure a mortgage loan, thereby reducing a financial institution's ability to penetrate these markets through residential loan products. In addition, the unemployment rate within the assessment area has increased significantly since the 2000 Census.

Within the assessment area, 75.5 percent of the non-farm businesses are considered small businesses, having gross annual revenues of \$1.0 million or less. The services sector (49.0 percent of area businesses) and retail trade (14.6 percent of area businesses) represent the largest industries within the assessment area. Agriculture represents only 2.7 percent of the industries within the assessment area. According to Massachusetts' Labor Force and Unemployment Data, Hampden County had an unemployment rate of 5.0 percent and Hampshire County had an unemployment rate of 7.9 percent for November 2011.

The assessment area in which PeoplesBank operates is highly competitive. Over 350 lenders originated residential mortgage loans in the assessment area in 2010, the latest year for which aggregate data is available. The Bank's competition includes large nationally chartered banks such as Bank of America, and large mortgage companies including Embrace Home Loans.

Thirteen of the assessment area's 17 low-income tracts and 8 of the area's twenty moderate-income tracts are located in Springfield. The remaining 4 low-income tracts and 3 of the moderate-income tracts are located in Holyoke. Four moderate-income tracts are located in Chicopee. The remaining 5 moderate-income census tracts are located in the towns of Amherst, Ludlow, Ware, West Springfield, and Westfield; each has 1 moderate-income census tract.

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 608,479 individuals of which 21.8 percent are minorities. The assessment area's minority and ethnic population is 6.0 percent Black/African American, 1.8 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 12.2 percent Hispanic or Latino and 1.5 percent other.

Community Contacts

Representatives of two organizations, one that is involved with affordable housing and one that provides assistance to small businesses, were contacted during the evaluation. These organizations provided information regarding area community credit needs and business opportunities.

One of the contacts indicated that the area has a significant volume of foreclosed and abandoned properties. When work is done on these houses so that they can be sold, many potential homebuyers are unable to buy the homes because of the 5 percent downpayment requirement, which is preventing many people from becoming homeowners. The contact recommended that the Bank offer first time homebuyers the opportunity to borrow funds for home purchases with a smaller downpayment requirement.

The other contact indicated that area businesses have credit needs that are not being met. However, the contact also stated that the types of loans these businesses are seeking are generally too risky to make to the businesses.

SCOPE OF EXAMINATION

This evaluation considered the PeoplesBank's performance under the Lending, Investment, and Service Tests in accordance with Large Bank Evaluation Procedures.

As reflected in September 2011 Call Report data, PeoplesBank is primarily a commercial real-estate lender with 43.2 percent of its lending portfolio. One- to four-family home mortgage loans represent 38.6 percent and multi-family home mortgage loans representing 8.8 percent of the Bank's lending portfolio. Consideration must also be given to residential home mortgage loans that the Bank has sold to secondary market investors. As mentioned previously, the Bank sold 1,165 loans with a dollar amount of \$208.7 million during the evaluation period. Commercial and industrial loans represented 4.6 percent. Given the composition of the Bank's lending portfolio, residential loans, derived from data collected in accordance with the Home Mortgage Disclosure Act ("HMDA") and small business loans (CRA data) originated between January 1, 2009, and September 30, 2011, were included in this analysis. Greater emphasis is placed on the Bank's residential lending performance because of the volume of loans originated during the evaluation period, as well as it being a major Bank lending focus. Small farm loans were not considered since the Bank does not offer this product. Consumer lending was also excluded from this analysis since it accounts for a minor portion of the Bank's overall lending activity and the Bank does not collect information regarding such activity.

Lending data for 2009, 2010 and YTD 2011 thru September 30, 2011 was analyzed. Greater emphasis is placed on the 2010 lending performance since this is the latest year for which aggregate lending data is available. This evaluation does not provide extensive detail of the Bank's performance regarding specific loan purposes (i.e., home purchase, refinance, home improvement), unless the Bank's performance in a particular category substantially differs from the Bank's overall residential lending performance. The review of the Bank's performance during the evaluation period was limited to loan originations, as the Bank did not purchase any loans during the review period.

The Interstate Branching and Banking Efficiency Act (IBBEA) require that the CRA Evaluation present a separate assessment of the lending performance in each metropolitan area in which a Bank has a branch office. As none of PeoplesBank's offices are outside the Springfield, MA MSA, a full scope review is done for the assessment area as a whole.

Community Development Loans, Innovative and Flexible Lending Practices, Investments, and Services were reviewed from June 25, 2008, the date of the most recent evaluation, through November 7, 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area by considering the institution's home mortgage, small business, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area(s); (3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); (4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses of different sizes; (5) the distribution of small business loans by loan amount at origination; (6) the volume of community development lending; and (7) the use of innovative or flexible lending practices.

Information concerning the home mortgage lending was derived from the Loan Application Registers ("LAR"s) maintained by the Bank pursuant to HMDA. The LARs contain data about home improvement loans and home purchase loans, including refinancing, of one- to four-family and multifamily (five or more unit) properties. Small business loans for purposes of this evaluation include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less.

Information concerning small business lending was derived from the small business loan register maintained by the Bank pursuant to CRA. The lending performance of other financial institutions, as reported on their HMDA LARs and CRA small business loan registers for 2010 is provided in this Public Evaluation for comparison purposes. This information is referred to as aggregate lending data.

Unless otherwise noted, this evaluation references the number, rather than the total dollar amount, of loans. The reason for this is that one or two large-dollar loans may minimize the accuracy of dollar volume as a performance indicator. The number of loans also provides a more accurate indicator of the number of families or businesses whose credit needs were met as a result of the Bank's lending activity.

Lending Activity

The Bank's lending activity reflects good responsiveness to assessment area credit needs. During 2009, 2010, and YTD 2011, PeoplesBank originated 1,680 residential and small business loans totaling \$331.5 million, a significant amount given the Bank's asset size (\$1.65 billion) and deposit base (\$1.2 billion).

Residential

PeoplesBank originated 1,277 HMDA-reportable loans totaling \$226.5 million within the assessment area during the evaluation period. Of the 353 lenders that originated HMDA-reportable loans within the assessment area in 2010, the most recent year for which market data is available, PeoplesBank ranked fifth among all lenders but second among locally based lenders, with a market share of 3.2 percent. The top two lenders within the assessment area were Bank of America and Wells Fargo, with market shares of 10.8 percent and 4.1 percent, respectively. It is expected that these banks would rank higher, considering the significantly larger size of the banks and wider range of products.

Small Business

PeoplesBank originated 178 small business loans totaling \$26.8 million within the assessment area during the evaluation period. The number of loans the Bank originated increased from 53 loans in 2009 to 75 loans in 2010.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes both residential lending and small business lending.

Based on a review of home loan and small business data, a substantial majority of the Bank's lending activity occurs within the institution's assessment area. Table 3 illustrates the Bank's record of extending residential mortgage loans and small business loans inside and outside the assessment area by number and dollar amount over the period reviewed.

Table 3 Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2009										
Home Purchase	120	87.6	17	12.4	137	\$28,516	79.6	\$7,321	20.4	\$35,837
Refinance	262	83.2	53	16.8	315	\$45,309	71.1	\$18,425	28.9	\$63,734
Home Improvement	17	81.0	4	19.0	21	\$2,606	76.2	\$815	23.8	\$3,421
Total	399	84.4	74	15.6	473	\$76,431	74.2	\$26,561	25.8	\$102,992
2010										
Home Purchase	176	81.5	40	18.5	216	\$32,917	79.7	\$8,411	20.3	\$41,328
Refinance	382	89.7	44	10.3	426	\$68,155	75.9	\$21,628	24.1	\$89,783
Home Improvement	47	100.0	0	0.0	47	\$4,902	100.0	\$0	0.0	\$4,902
Total	605	87.8	84	12.2	689	\$105,974	77.9	\$30,039	22.1	\$136,013
YTD2011										
Home Purchase	121	84.6	22	15.4	143	\$21,353	80.4	\$5,217	19.6	\$26,570
Refinance	149	89.8	17	10.2	166	\$22,302	85.7	\$3,710	14.3	\$26,012
Home Improvement	3	100.0	0	0.0	3	\$458	100.0	\$0	0.0	\$458
Total	273	87.5	39	12.5	312	\$44,113	83.2	\$8,927	16.8	\$53,040
Total Home Loans	1,277	86.6	197	13.4	1,474	\$226,518	77.6	\$65,527	22.4	\$292,045
Small Business 2009	53	82.8	11	17.2	64	\$9,640	64.3	\$5,350	35.7	\$14,990
Small Business 2010	75	87.2	11	12.8	86	\$10,641	70.1	\$4,543	29.9	\$15,184
Small Business 2011	50	89.3	6	10.7	56	\$6,487	70.0	\$2,783	30.0	\$9,270
Total Small Business Loans	178	86.4	28	13.6	206	\$26,768	67.9	\$12,676	32.1	\$39,444
Grand Total	1,455	86.6	225	13.4	1,680	\$253,286	76.4	\$78,203	23.6	\$331,489

Source: 2009, 2010, YTD 2011 HMDA LARs and Bank's 2009, 2010, YTD 2011 Small Business LARs

Home Loans

As shown in Table 3, the Bank originated 1,277 home loans totaling \$226.5 million in the assessment area during the evaluation period. This represents 86.6 percent of the total number of home loans originated by the Bank and 77.6 percent by dollar volume. The distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount, as the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans.

The Bank's performance under this criterion is considered excellent based on the high level of competition from other lenders, as a majority of residential loans by number were originated inside the assessment area.

Small Business Lending

An additional analysis of small business lending was conducted by reviewing the Bank's commercial real estate and commercial and industrial (small business) loans. This review consisted of 206 small business loan originations for the evaluation period.

As shown in Table 3, 178 of the 206 loans analyzed, or 86.4 percent, were originated in the assessment area. The Bank originated small business loans that totaled over \$39.4 million, of which \$26.8 million, or 67.9 percent, were in the Bank's assessment area. The Bank originated a substantial majority of small business loans by number and by dollar amount inside the assessment area.

DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS AND BUSINESSES OF DIFFERENT SIZES

This performance criterion evaluates the distribution of a Bank's residential and small business loans based on borrower characteristics. Analyses were conducted of the Bank's residential mortgage loans inside the assessment area based on borrower income and the Bank's small business loans inside the assessment area based on size of business. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with gross annual revenues (GAR) of \$1 million or less.

The distribution of loans by borrower income and business revenue was reviewed to determine the extent to which the Bank is addressing the credit needs of the area's residents and small businesses. Based on the review of the HMDA LARs and the CRA Small Business Loan Registers, the Bank has achieved a good penetration of loans among retail customers of different income levels and businesses of different revenues.

Home Loans

Residential lending data was reviewed to assess how well the Bank is addressing the housing credit needs of the area's low-, moderate-, middle-, and upper-income residents. Special consideration is placed on the Bank's record of lending to low- and moderate-income borrowers residing in the assessment area.

Table 4 shows the distribution of loans by borrower income. The Bank's percentage (6.4 percent) of loans to low-income borrowers in 2010 was consistent with the 2010 aggregate percentage of 6.7 percent. The Bank's performance in lending to low-income borrowers in the assessment area is further highlighted by the 2010 market share report. The Bank ranked 5th, with a market share of 3.5 percent, for all assessment area loans originated to low-income borrowers. The Bank has the highest market share of all local community institutions for low-income borrowers. The institutions with higher market share for low-income borrowers in the assessment area are all nationally chartered banks and mortgage companies.

Table 4
Distribution of HMDA Loans by Borrower Income
(Excludes borrowers for which income is not available)

Loan Category	# of Bank	Percent of Bank Loans				Percent of Aggregate Lending			
	Loans	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009									
Home Purchase	111	8.1	17.1	21.6	53.2				
Refinance	256	2.4	20.7	23.4	53.5				
Home Improvement	17	5.9	5.9	11.8	76.4				
Total	384	4.2	19.0	22.4	54.4				
2010									
Home Purchase	162	8.6	24.7	21.6	45.1	9.9	32.5	27.3	30.3
Refinance	371	5.4	18.1	26.6	49.9	4.8	18.4	28.0	48.8
Home Improvement	45	6.7	17.8	26.6	48.9	8.0	20.9	27.8	43.3
Total	578	6.4	19.9	25.3	48.4	6.7	23.1	27.7	42.5
YTD 2011									
Home Purchase	121	6.6	25.6	24.8	43.0				
Refinance	148	10.2	22.3	27.0	40.5				
Home Improvement	3	0.0	0.0	0.0	100.0				
Total	272	8.5	23.5	25.7	42.3				
Grand Total	1,234	6.2	20.4	24.5	48.9				
		Distribution of Families							
Demographics	#	Low	Moderate	Middle	Upper				
Families	150,449	21.8	17.1	22.0	39.1				

SOURCE: HMDA LARS for 2009, 2010, and YTD 2011. HMDA Aggregate Data for 2010. Demographics from 2000 US Census Data

In 2010, the Bank extended 19.9 percent of total loans to moderate-income borrowers, which exceeded the percentage of moderate-income families (17.1 percent); however, was below the 2010 aggregate market percentage of 23.1 percent. The 2010 market share report pertaining to loans made to moderate-income borrowers in the assessment area indicates the Bank ranked 8th with a market share of 2.7 percent. The Bank has the second highest market share of all local community institutions for moderate-income borrowers.

In 2010, the distribution of home loans among the borrower income categories was comparable to the prior year in that the middle- and upper-income borrowers accounted for the majority of the home loans. However, the proportion of loans to the low- and moderate-income borrowers increased. Refinances to low-income borrowers grew steadily during the period reviewed from 2.4 percent in 2009 to 5.4 percent in 2010, and 10.2 percent in YTD 2011. Home purchases to moderate-income borrowers also followed the same upward trend from 17.1 percent in 2009, to 24.7 percent in 2010, to 25.6 percent in YTD 2011.

Table 4 also shows that in 2010 the upper-income borrowers accounted for the highest share of loans in each of the loan categories and the highest single share of total loans. The percentage of loans to the upper-income borrowers was higher than the percentage of upper-income families in the area. Middle-income borrowers accounted for the next highest percentage of total loans. Low-income borrowers accounted for the lowest share of total loans. The proportion of loans to low-income borrowers (6.4 percent) was far below the percentage of low-income families (21.8 percent) in the assessment area. However, over the past decade the assessment area has experienced an increase in housing costs which has limited the number of borrowers in this income category that can realistically qualify for home financing, particularly in the home purchase category. The financial crisis has further exacerbated the situation. The percentage of loans to the moderate-income borrowers was slightly higher than the demographics.

Moderate-income borrowers accounted for 19.9 percent of the loan volume, higher than the percentage of moderate-income families at 17.1 percent. Furthermore, approximately 10.0 percent of the families in the assessment area live below the poverty level.

PeoplesBank has made positive efforts to address the credit needs of low- and moderate-income borrowers. The Bank has originated loans through numerous First Time Homebuyer (FTHB) programs, some of which include: "First Choice" In-House FTHB Program, MassHousing FTHB program, and the Olde Holyoke Development Corporation FTHB program. These programs feature competitive interest rates and flexible underwriting standards. The Bank also offers closing cost and down payment assistance for qualifying borrowers.

Small Business Lending

The distribution of small business loans reflects a good penetration among businesses of different sizes. Table 5 illustrates the distribution of the Bank's 2009, 2010, and YTD 2011 (September 30, 2011) small business loans within the assessment area by size of businesses. For comparison purposes, the table includes the percentage of businesses in the assessment area by gross annual revenue (GAR) category.

Table 5												
Distribution of Small Business Loans to Business with Revenues under \$1 million												
Year	Bank Loans				Percent of Aggregate Lending							
	#	%	\$	%	#	%	\$	%				
2009	23	43.4	\$3,638	37.7								
2010	44	58.7	\$4,910	46.1					2,339	30.0	\$103,826	42.4
YTD 2011	26	52.0	\$2,526	38.9								
Grand Total	93	52.3	\$11,074	41.4								
Demographics	#	Business Revenue Size										
		Under \$1 million	Over \$1 million	Not Reported								
Businesses	36,022	75.5	4.9	19.6								
SOURCE: 2009, 2010 and YTD 2011 CRA Small Business Loan Registers, 2010 Aggregate Small Business Data and 2010 Business Geo-demographic Data												

As shown in Table 5, the Bank originated 44 small business loans to businesses with gross annual revenues of \$1 million or less in 2010. This percentage of loans (58.7 percent) is much lower than the percentage of businesses (75.5 percent) in that revenue category, but significantly higher than the aggregate percentage of 30.0 percent.

Additional analysis was conducted on small business loans, by dollar volume as a percentage, originated in 2010. The analysis revealed the Bank originated \$4.9 million, or 46.1 percent of total small business loans, in 2010 to businesses with GARs of \$1 million or less. The 46.1 percent is higher than the 2010 aggregate market data of 42.4 percent.

In 2009, the Bank originated 23 small business loans, or 43.4 percent by number, to businesses in its assessment area with GARs of \$1 million or less. By dollar volume, the Bank originated \$3.6 million in loans to businesses in its assessment area with GARs of \$1 million or less, representing 37.7 percent of total dollar volume. For YTD in 2011, the Bank originated 26 loans or 52.0 percent in number and \$2.5 million or 38.9 percent for dollar volume.

GEOGRAPHIC DISTRIBUTION

This criterion evaluates the distribution of the Bank's loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts. As mentioned previously under the Description of Assessment Area, the Bank's assessment area comprises 124 census tracts: 17 (13.7 percent) low-income; 20 (16.1 percent) moderate-income; 54 (43.6 percent) middle-income; 32 (25.8 percent) upper-income census tracts; and 1 (0.8 percent) in a non-applicable census tract. The geographic distribution of PeoplesBank's home mortgage loans throughout its assessment area is consistent with its lending capacity, its credit offerings, and the location of its branch offices.

The geographic distribution of loans was reviewed to assess how well the Bank is addressing the credit needs throughout the assessment area. Based on a review of the HMDA LARs and the CRA small business data, the overall geographic distribution of loans reflects a good dispersion throughout the assessment area, particularly to low- and moderate-income geographies in the assessment area.

Home Loans

Table 6 illustrates the geographic distribution of the Bank's 2009, 2010 and YTD 2011 residential mortgage lending within the assessment area by number. For comparison purposes, the table includes the percentage of owner-occupied housing units within each income category and the aggregate market lending data for 2010.

Please refer to the following table regarding the distribution of residential loans by census tract.

Table 6 Distribution of HMDA Loans by Census Tract Income									
Loan Category	# of Bank	Percent of Bank Loans				Percent of 2010 Aggregate Lending			
	Loans	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009									
Home Purchase	120	1.7	12.5	45.8	40.0				
Refinance	262	0.8	7.6	49.2	42.4				
Home Improvement	17	0.0	5.9	64.7	29.4				
Total	399	1.0	9.0	48.9	41.1				
2010									
Home Purchase	176	5.7	5.1	50.6	38.6	3.1	12.0	56.8	28.1
Refinance	382	1.1	3.7	53.9	41.3	0.8	6.3	51.8	41.1
Home Improvement	47	0.0	21.3	46.8	31.9	1.1	7.5	55.5	35.9
Total	605	2.3	5.5	52.4	39.8	1.6	8.2	53.6	36.6
YTD 2011									
Home Purchase	121	4.1	8.3	57.0	30.6				
Refinance	149	0.7	8.7	56.4	34.2				
Home Improvement	3	0.0	0.0	66.7	33.3				
Total	273	2.2	8.4	56.8	32.6				
Grand Total	1,277	1.9	7.2	52.2	38.7				
Demographics	#	Distribution of Housing							
		Low	Moderate	Middle	Upper				
Owner Occupied Units	144,891	2.6	11.2	54.7	31.5				
<i>SOURCE: HMDA LARS for 2009, 2010, and YTD 2011. HMDA Aggregate Data for 2010. Demographics from 2000 US Census Data</i>									

As the table 6 shows, 2.3 percent of the Bank's HMDA loans in 2010 were originated within low-income census tracts. This is slightly lower but generally consistent with the percentage of owner-occupied housing units within these tracts (2.6 percent) and the performance of the aggregate lenders, and slightly higher, but generally consistent with the 1.6 percent of aggregate HMDA loans that were originated within low-income tracts in 2010. Home purchase loans in low-income census tracts increased from 1.7 percent in 2009 to 5.7 percent in 2010, which is greater than the 2010 aggregate lending of 3.1 percent. The percentage of refinance loans and home improvement loans in low-income census tract remained constant from 2009 to 2010 and consistent with the aggregate lenders. In 2010, PeoplesBank ranked 5th among all lenders in lending within low-income tracts with 14 loans and a market share of 4.7 percent. The Bank ranked 1st among local community-based financial institutions.

PeoplesBank originated 5.5 percent of its HMDA-reportable loans within moderate-income tracts in 2010. This is lower than the percentage of owner-occupied units within these tracts (11.2 percent) and lower than the performance of the aggregate lenders (8.2 percent). The performance increased to 8.4 percent for YTD 2011. When analyzed by loan category, the Bank's home improvement loan distribution increased significantly from 5.9 percent in 2009 to 21.3 percent in 2010, which is significantly greater than the 2010 aggregate lending of 7.5 percent. The Bank ranked 12th among all lenders within moderate-income tracts in 2010, with 33 loans and a market share of 2.1 percent. The Bank ranked 2nd among local community financial institutions.

A review of 2009 and YTD 2011 data finds that the Bank's performance remained consistent as compared to demographic information.

Small Business Lending

The Geographic Distribution of small business loans reflects a good dispersion throughout the assessment area. Table 7 summarizes the Bank's distribution of small business loans by census tract income level. Demographic information is included for comparison purposes.

Table 7									
Distribution of Small Business Loans by Census Tract Income									
Year	# of Bank	Percent of Bank Loans				Percent of 2010 Aggregate Lending			
	Loans	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009	53	15.1	1.9	56.6	26.4				
2010	75	10.7	18.7	45.3	25.3	9.3	11.5	45.9	33.3
YTD 2011	50	6.0	22.0	42.0	30.0				
Grand Total	178	10.7	14.6	47.7	27.0				
		Distribution of Businesses							
Demographics	#	Low	Moderate	Middle	Upper				
Businesses	36,022	11.3	15.0	46.0	27.7				
SOURCE: 2009, 2010 and YTD 2011 CRA Small Business Loan Registers, 2010 Aggregate Small Business Data and 2010 Business Geo-demographic Data									

In 2010, the Bank originated 10.7 percent of all small business loans in the low-income census tracts. This performance is consistent with the aggregate lending data at 9.3 percent and the percentage of businesses at 11.3 percent. The Bank's performance in low-income census tracts decreased from 2009 to 2010. In 2010, the Bank originated 18.7 percent of small business loans in the moderate-income census tracts. This was greater than the aggregate lending of 11.5 percent and greater than the percentage of businesses of 15.0 percent.

Community Development Loans

The institution's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending.

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

During the evaluation period, PeoplesBank originated 8 community development loans totaling \$1.2 million in its assessment area. The Bank's performance is adequate given the presence of strong competition from large nationally chartered banks, and given the responsiveness of its loans to the community development needs of its assessment area.

Table 8 details the Bank's community development lending by category.

Table 8 Community Development Loans by Category			
Category	Year	Number of Loans	Dollar Amount \$(000s)
Affordable Housing	06/27/08 – 12/31/08	1	160
	2009	3	451
	2010	0	0
	01/01/11 – 11/07/11	1	200
Total Affordable Housing		5	811
Community Services to Low- and Moderate-income (LMI) Residents	06/27/08 – 12/31/08	0	0
	2009	1	50
	2010	0	0
	01/01/11 – 11/07/11	0	0
Total LMI Services		1	50
Economic Development	06/27/08 – 12/31/08	0	0
	2009	0	0
	2010	1	30
	01/01/11 – 11/07/11	1	350
Total Economic Dev.		2	380
GRAND TOTAL		8	1,241

Source: Bank community development loan data

Following is a representative sample of PeoplesBank's community development loans:

- In 2008 and 2009, the Bank opened and renewed a \$160,000 Line of Credit to a local housing authority to finance the building of a total of eight affordable housing units in Holyoke.
- In 2009, the Bank opened a \$50,000 Line of Credit to a not-for-profit children's organization in Chicopee. The organization accepts and offers programs to youth in the assessment area regardless of ability to pay.
- In 2009, PeoplesBank originated a \$191,250 loan to a real estate development company to renovate six foreclosed units in Springfield. The Bank also originated a \$100,000 construction loan to a three bedroom duplex. The units are located in low- and moderate-income census tracts and will be rented to low- and moderate-income individuals, some of which are on various state and federal subsidies.

- In 2010, the Bank originated a \$30,000 loan to a women's rehabilitation center. This non-profit provides employment programs for at-risk women.
- In 2011, PeoplesBank was the lead bank for a \$350,000 participation line of credit to a Western Massachusetts development corporation. The organization is redeveloping the Ludlow Mills mixed-used complex in Ludlow, MA. The project will create 2,000 – 2,500 jobs as well as revitalize as moderate-income area. PeoplesBank's portion of the loan was \$350,000, with five other local financial institutions lending the remaining \$1.65 million.
- In 2011, the Bank originated a \$200,000 loan to a real estate development company to renovate six foreclosed units in Holyoke. The units are located in low- and moderate-income census tracts and will be rented to low- and moderate-income individuals, some of which are on various state and federal subsidies.

Innovative and Flexible Loan Products

The Bank's innovative and flexible lending practices are evaluated pursuant to the following criteria: (1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and (2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

PeoplesBank uses innovative and/or flexible lending practices in order to serve assessment area credit needs. Detailed below are some of the Bank's qualifying lending activities during the evaluation period. Each of these activities involves first-time homebuyer programs:

- **“First Choice” In-House First-Time Homebuyer (FTHB) Program:** The Bank offers loan products for first-time homebuyers, providing flexible underwriting, a \$1,500 bank subsidy of closing costs on each loan, and reduced interest rates. PeoplesBank originated 58 loans totaling \$7.8 million under this program during the evaluation period. This represents a significant decrease over the prior evaluation period, when the Bank originated 164 loans totaling \$23.8 million.
- **Massachusetts Housing Finance Agency (MHFA) First-Time Homebuyer (FTHB) Program:** The Bank offers a loan product for first-time home buyers through a program sponsored by the MHFA. As with the FTHB program, the Bank covers \$1,500 of the closing costs on each loan. PeoplesBank originated 21 loans totaling \$3.4 million under this program during the evaluation period. This represents a decrease from the prior evaluation period, when the Bank originated 30 loans totaling \$4.4 million.
- **Olde Holyoke Development Corporation (OHDC) First-Time Homebuyer (FTHB) Program:** The Bank offers a loan product for first-time home buyers through a program for homes sold by the OHDC. Under the program, the Bank waives a portion of the application fee and covers up to \$1,000 of the closing costs on each loan. Funds from these loans are used to purchase and rehabilitate the homes for first-time homebuyers. PeoplesBank originated 6 loans totaling \$590,925 under this program during the evaluation period. This represents a decrease from the prior evaluation period, when the Bank originated 21 loans totaling \$2.0 million.

RESPONSE TO CRA COMPLAINTS

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this performance criterion is not applicable.

INVESTMENT TEST

The investment test evaluates the Bank's record of meeting the assessment area's credit and economic development needs through its qualified investments. A qualified investment for the purposes of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community as its primary purpose. The evaluation considered (1) the investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

PeoplesBank has a significant level of qualified investments. While the investments are not considered innovative and complex, they do support community development initiatives, and the Bank exhibits good responsiveness to credit and community economic development needs.

The Bank's qualified investments total more than \$2.4 million, and consisted of equity investments in mortgage-backed securities, investment in an affordable housing and community development corporation, and donations to various community development organizations. While the level of qualified investments is good, it represents a decrease from the prior evaluation, when the Bank's CRA-qualified investments and grants totaled approximately \$5.0 million. The decrease is primarily attributed to a decrease in the book value of the qualified investments which the Bank has retained.

Qualified Investments

PeoplesBank has several investments which were purchased prior to the last evaluation, but remain with the Bank. The Bank has made one new investment since the prior evaluation.

The Bank's qualified CRA investments represent approximately less than one percent of the Bank's total investments as of the evaluation date. This ratio of qualified investments represents a decrease from the prior evaluation period, when the qualified investments represented 2.0 percent of the Bank's total investments. Below is a summary of each of these investments.

Federal National Mortgage Association (FNMA)

In 2001, the Bank purchased FNMA loan pools, in which all or part of the loans are within the Bank's assessment area, and the mortgages in the pools were to low- and moderate-income borrowers. The loan pools had a total book value of \$1,616,335 as of September 30, 2011. Table 9 below provides details on these loan pools.

Table 9				
Federal National Mortgage Association Loan Pools				
Instrument	Purchase Date	Purchase Par Value	Book Value 9/30/11	Location
Pool # 603564	11/14/01	\$5,187,300	\$1,244,484	Hampshire County
Pool # 613103	11/14/01	\$2,878,600	\$371,851	Hampshire County
Totals		\$8,943,300	\$1,616,335	

Borinquen Apartments LP/ (NEFWC, Inc.)

PeoplesBank acquired NEFWC, Inc in December 2010. NEFWC, Inc owns a limited partnership interest in the Borinquen Apartments LP (LP). The LP is developing/renovating 42 low-income housing units in the north end of Springfield. The partnership owns property located on the corners of Main, Huntington and Greenwich streets in Springfield. The Bank's initial and only anticipated investment was \$400,000 which is being written off based on its estimated expected life of the investment. As September 30, 2011 the carrying value of the investment was \$353,500.

Massachusetts Housing Investment Corporation (MHIC)

MHIC provides financing for affordable housing and community development throughout Massachusetts. MHIC also purchases low-income housing tax credits through its subsidiary, The Massachusetts Housing Equity Fund, Inc., and provides New Markets Tax Credit financing. PeoplesBank had investments in two MHIC funds that were made prior to the last evaluation, but remain with the Bank. As of September 30, 2011, the Bank has \$244,416 invested in the Mass Housing Equity Fund 1999, and has \$195,031 invested in the Mass Housing NMTC Fund II.

Summer Street Capital

Summer Street Capital Fund I, L.P. (the Partnership) was organized for the purpose of investments in growth-oriented businesses. The Partnership is licensed by the Small Business Administration (SBA) to operate as a small business investment company (SBIC) with section 310 (c) of the Small Business Administration act of 1958. PeoplesBank initial investment in Summer Street Capital was in 2001 and consisted of annual subsequent draw-downs by the partnership totaling \$375,000. Since that time the book value of the partnership investments have been written off to zero to correspond to the lower of cost or market value of the partnership. The Partnership continues to operate, has and maintains a liquidation strategy.

Qualified Donations

PeoplesBank made contributions to organizations providing education, youth programs, affordable housing, health and human services, and community services. From June 27, 2008, through December 31, 2008, the Bank granted \$393,295 in charitable donations to community organizations, of which \$105,091 (26.7 percent) was considered CRA qualified. From January 1, 2009 through December 31, 2009, the Bank granted \$706,094 in donations, of which \$347,033 (49.1 percent) were considered qualified donations. From January 1, 2010, through December 31, 2010, the Bank granted \$803,596 in donations, of which \$352,890 (43.9 percent) were considered qualified donations. From January 1, 2011, through November 7, 2011, the Bank has granted \$738,252 in donations, of which \$407,167 (55.2 percent) are considered qualified donations.

For the period under review, the \$1,212,181 in qualified donations was analyzed in more detail. Of the total qualified donations, \$50,830 (4.2 percent) was provided in qualified grants and donations to organizations that provide affordable housing. The Bank provided \$953,319 (78.6 percent) to organizations that provide community services targeted to low- and moderate-income persons. In addition, PeoplesBank provided \$208,032 (17.2 percent) for economic development purposes. The grants and donations extended were similar, in nature, to those provided by other financial institutions. Table 10 provides details on the Bank's community development donations by category.

Table 10			
Community Development Donations by Category			
Category	Year	Number of Donations	Dollar Amount
Affordable Housing	06/27/08 – 12/31/08	2	\$3,500
	2009	4	\$14,500
	2010	11	\$21,785
	01/01/11 – 11/07/11	8	\$11,045
Total Affordable Housing		25	\$50,830
Community Services to Low- and Moderate-income (LMI) Residents	06/27/08 – 12/31/08	35	\$101,591
	2009	139	\$327,533
	2010	80	\$323,105
	01/01/11 – 11/07/11	99	\$201,090
Total LMI Services		353	\$953,319
Economic Development	06/27/08 – 12/31/08	0	\$0
	2009	2	\$5,000
	2010	2	\$8,000
	01/01/11 – 11/07/11	12	\$195,032
Total Economic Dev.		16	\$208,032
TOTALS	06/27/08 – 12/31/08	37	\$105,091
	2009	145	\$347,033
	2010	118	\$352,890
	01/01/11 – 11/07/11	119	\$407,167
GRAND TOTAL		419	\$1,212,181

Source: Bank donations data

The Bank's CRA-qualified donations represent 2.9 percent of the Bank's pre-tax net operating income during the evaluation period, and 45.9 percent of its total donations during the period. Table 11 details the Bank's qualified donations as a percentage of total donations and as a percentage of pre-tax net operating income by year.

Table 11			
Community Development Donations as Percent of Pre-tax Net Operating Income			
Year	Dollar Amount of Qualified Donations	% of Total Donations	% of Pre-tax Net Operating Income
06/27/08 – 12/31/08	\$105,091	26.7	1.9
2009	\$347,033	49.1	2.7
2010	\$352,890	43.9	3.2
01/01/11 – 11/07/11	\$407,167	55.2	3.2
TOTAL	\$1,212,181	45.9	2.9

Source: Bank donations data and Call Report information

The Bank's qualified donations increased significantly from the prior evaluation period, when the Bank's qualified donations of \$632,439 represented 3.1 percent of the Bank's pre-tax net operating income. The following is a representative sample of the community development organizations benefiting from CRA-qualified donations made by the Bank during the evaluation period.

The Community Foundation of Western Massachusetts: This organization administers a charitable endowment consisting of approximately 528 separately identified funds. The Bank donated to the Tornado Relief Fund for Western Massachusetts, which aids non-profits that are attempting to meet the current and longer term needs of those impacted by the tornado.

American Red Cross of Pioneer Valley: This organization is led by volunteers and provides relief to victims of disasters and helps people prevent, prepare for, and respond to emergencies. The Bank made significant contributions to this organization for its tornado relief efforts.

Open Pantry Community Service, Inc: This organization assists hungry, homeless, and disadvantaged people in the Greater Springfield Area by providing food, shelter, and case management services to less fortunate individuals.

Valley Community Development Corporation: This non-profit community organization provides economic opportunities by encouraging community development and the development of affordable housing.

HAP, Inc. This organization provides affordable housing services for low- and moderate-income first-time homebuyers, as well as foreclosure prevention assistance programs.

Holyoke-Chicopee-Springfield Head Start Inc: The organization provides child development services, which include early childhood education, literacy and school readiness, health services, parent involvement, nutrition, social services, mental health services, and disability services to low- and moderate-income children and their families. A total of 80 percent of the children that attend Springfield public schools are eligible for the free lunch program.

Big Brothers Big Sisters: This program is committed to assisting young people in achieving their highest potential as they grow to become confident, competent, and caring individuals by providing committed volunteers, professional support and supervision, outreach to families, and enrichment opportunities in their communities. Ninety-eight percent of children in the organization are from low- and moderate-income families.

Pioneer Valley Council, Inc. Boy Scouts of America: This organization provides a special assistance program to lower-income youth and leaders who do not have the monetary resources that are necessary to participate in basic scouting activities.

Greater Springfield Habitat for Humanity, Inc.: Habitat for Humanity is a non-profit organization which helps build and renovate homes for low-income families. Habitat homes are sold to families at no profit and are financed with affordable no-interest loans.

Square One: This organization provides early education and child care support to the communities most vulnerable children, including victims of abuse, neglect and long term homelessness.

The Western Massachusetts Enterprise Fund Inc. (WMEF): This organization provides financing and technical assistance to entrepreneurs and small businesses in the 5 counties of Western Massachusetts. A nonprofit community loan fund, WMEF works with banks and other lenders to enable financing for businesses that would otherwise be "un-bankable." The organization collaborates with 13 community development corporations (CDCs) and other local community organizations.

SERVICE TEST

The service test evaluates the institution's record of helping to meet the credit needs of its assessment areas by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services were evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services were evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

PeoplesBank provides a relatively high level of community development services within its assessment area. The Bank remains the only community bank headquartered in the City of Holyoke, and provides significant economic and social benefits through its presence in the downtown Holyoke area.

Accessibility of Delivery Systems

The Bank's banking services are accessible to essentially all portions of the assessment area. Table 12 illustrates the distribution of branches and ATMs among the various census tracts of its assessment area.

Table 12 Distribution of Bank Offices by Income Category of the Census Tract								
Census Tract Income Category	Census Tracts by Tract Income Level		Population by Tract Income Level		Bank Offices by Tract Income Level		Remote ATMs by Tract Income Level	
	#	%	#	%	#	%	#	%
Low	17	13.7	57,319	9.4	1	6.3	1	8.3
Moderate	20	16.1	109,173	17.9	3	18.7	2	16.7
Middle	54	43.6	285,596	47.0	6	37.5	7	58.3
Upper	32	25.8	156,390	25.7	6	37.5	2	16.7
NA	1	0.8	1	0.0	0	0.0	0	0.0
Total	124	100.0	608,479	100.0	16	100.0	12	100.0

Source: 2000 US Census and Bank records

As the table demonstrates, the offices are reasonably distributed throughout the assessment area, with offices in each category of census tract income, and are not located in such a way as to inconvenience any segment of the area's population. The Bank operates a main office and 15 full-service branch offices. The main office is located in a low- income census tract. The two Holyoke branch offices are located in moderate-income census tracts. Six branches are located in middle-income tracts, and the remaining six are located in upper-income census tracts. Low-income tracts account for 9.4 percent of the assessment area population and 6.3 percent of the Bank's branch locations. Moderate-income tracts account for 17.9 percent of the assessment

area population and 18.7 percent of the Bank's branch locations. Although branches in low-income tracts account for a smaller percentage than the population of these tracts, the Bank has branch locations in moderate-, middle- and upper-income tracts that also provide some accessibility for residents of the low-income census tracts.

Alternative delivery systems such as ATMs, computer banking, and telephone banking are available to help compensate for any immediate lack of access to banking facilities. Most offices feature drive-up windows for added convenience, and the Bank operates at least one automated teller machine (ATM) at each of its branch locations. In addition to the ATMs at branch locations, PeoplesBank operates 12 proprietary ATMs throughout the assessment area. More than half of these ATMs are located in middle- income census tracts, with 8.3 percent located in low-income census tracts. The moderate- income and the upper-income census tracts each have 16.7 percent of the proprietary ATMs. Since April 2010, the Bank also opens one day a week at two local retirement centers: the Glenmeadow Retirement Home and the Reeds Landing Retirement Home.

The Bank maintains a web site which customers as well as visitors can obtain product and service information. Furthermore, customers can sign up for on-line banking. The Internet banking feature permits customers to check account balances, transfer funds between accounts, or pay bills online. The Bank also offers mobile phone applications from which users can access most of the banking features available on the web site.

Record of Opening and Closing Branches

Changes made to the Bank's branch locations during the evaluation period improved the accessibility of the Bank's services to assessment area residents. In 2010, PeoplesBank opened two branches in Springfield and one in Longmeadow. The Springfield branches are located in middle-income tracts and the Longmeadow branch is located in an upper-income census tract. In 2011, the Bank opened a branch in West Springfield located in a moderate-income census tract. In 2010, the Bank closed a branch in Hadley which is in an upper-income census tract.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

PeoplesBank's business hours and services do not vary in a way that inconveniences any portions of the assessment area. Business hours vary slightly between office locations, but are convenient and competitive with other local institutions. Most offices offer drive-up service, and all offices offer Saturday hours. The Bank offers a variety of deposit, loan, and investment products.

Community Development Services

An institution's community development services are evaluated pursuant to the following criteria: (1) the extent of community development services offered and used; (2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; (3) the degree to which they serve low- and moderate-income areas or individuals; and (4) their responsiveness to available opportunities for community development services.

PeoplesBank provides a relatively high level of community development services. These services have resulted in a better-educated community, increased awareness of community needs, and contributed to improving the communities served. The Bank offered services to low- and moderate-income residents within the assessment area and provided technical assistance

to organizations with a community development purpose. The Bank's initiatives are especially responsive to the needs of the low- and moderate-income households and small businesses in Holyoke. The active involvement of the Bank's directors, officers, and employees in community development organizations is indicative of the Bank's commitment to serve the community development needs of the assessment area.

Following are descriptions of several programs that display PeoplesBank's involvement in community development services within its assessment area. These services meet the definition of community development and are related to the provision of financial services as required for consideration under the Community Reinvestment Act:

Affordable Housing

- The Bank has participated in workshops as a means of educating first-time homebuyers and low- and moderate-income homeowners, and of promoting the Bank's products and services. The Bank partnered with organizations such as Valley Community Development Corporation, to provide workshops within the assessment area. Mortgage originators from the Bank conducted 14 First Time Homebuyer workshops with approximately 35 attendees at each workshop during the evaluation period. The Bank offers annual bilingual workshops as well.

Services to Low- and Moderate-income Residents

- The Bank sponsored and Bank employees participated in approximately 70 financial literacy training programs at area schools. The training included basic presentations on *Money and Banking* to elementary school children, as well as more in-depth presentations to high school students. In addition to this, the Bank also sponsored an event to help parents prepare for the financial impact of sending their children to college.

Economic Development

- PeoplesBank was a sponsor for a series of training programs sponsored by the Massachusetts Small Business Development Center Network. Topics included: Rethinking Growth, Threats and Opportunities in a Globalized Economy, and Managing Your Business in a Down Economy. Multiple forums and programs were sponsored by the Bank during the evaluation period. The events took place in low-income census tracts.

In addition, PeoplesBank offers products that provide community development benefits. Following are descriptions of two such products.

- Through an innovative grant program from the Federal Home Loan Bank of Boston, the Bank has participated in the Equity Builder Program each year of the evaluation period. Under this program, PeoplesBank utilized the grant funds to provide downpayment and closing costs assistance to low- and moderate-income homebuyers, thus supporting affordable housing needs. The Bank was able to secure grants under this program for 28 loans during the evaluation period and disbursed a total of approximately \$288,000 in grant funds.
- PeoplesBank administers an Interest of Lawyers' Trust Accounts (IOLTA) program. Interest earned on these accounts goes to the Massachusetts IOLTA Program, and the funds are used to provide low-income individuals with a variety of legal services. As of the evaluation date, the Bank had approximately 44 accounts under the program, and paid approximately \$88,300 in interest during the evaluation period.

In addition, officers and employees of the Bank are involved in many local community development and nonprofit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, committee members, and volunteers. The following are some examples of the benefiting organizations:

- **Affordable Housing Organizations:** The President serves as a Director for Loomis House. A Credit Analyst at the Bank serves as a Director for Springfield Habitat for Humanity.
- **Organizations Providing Community Services to Low- and Moderate-Income Residents:** The Chief Lending Officer serves as a Director for The CARE Center. A First Vice President serves on the Board of Directors of Go Fit Inc. and on the Executive Board of Square One. A First Vice President serves as the Chair for the Holyoke Credit for Life Committee. The Credit Risk Manager serves as a Grant Reviewer for the Community Foundation. The Chief Financial Officer serves as Director for the Holyoke Community College Foundation.
- **Economic Development Organizations:** The President serves on the Board of Directors of the Economic Development Council of Western Massachusetts. A Vice President of Commercial Lending served as a Director for the Northampton Development Corporation.

APPENDIX A

FAIR LENDING POLICIES AND PRACTICES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices was identified inconsistent with helping to meet community credit needs.

MINORITY APPLICATION FLOW

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 608,479 individuals of which 21.8 percent are minorities.

For 2009 and 2010, the Bank received 1,403 HMDA reportable loan applications from within its assessment area. Of these applications, 101 or 7.2 percent were received from minority applicants, of which 73 or 72.3 percent resulted in originations. For the same time period, the Bank also received 57 applications from ethnic groups of Hispanic origin within its assessment area of which 33 or 57.9 percent were originated.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2010. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to table 13 below for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

Table 15 - MINORITY APPLICATION FLOW								
RACE	Bank 2009		2010 Aggregate		Bank 2010		Bank Total	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	1	0.2	57	0.2	3	0.4	4	0.4
<i>Asian</i>	25	4.8	422	1.5	18	2.0	43	3.1
<i>Black/ African American</i>	6	1.2	838	3.0	16	1.8	22	1.6
<i>Hawaiian/Pac Isl.</i>	0	0.0	32	0.1	1	0.1	1	0.0
<i>2 or more Minority</i>	0	0.0	9	0.0	1	0.1	1	0.0
<i>Joint Race (White/Minority)</i>	12	2.3	253	0.9	18	2.0	30	2.1
Total Minority	44	8.5	1,611	5.7	57	6.4	101	7.2
<i>White</i>	447	86.1	21,899	78.9	783	88.6	1,230	87.7
<i>Race Not Available</i>	28	5.4	4,263	15.4	44	5.0	72	5.1
Total	519	100.0	27,773	100.0	884	100.0	1,403	100.0
ETHNICITY								
<i>Hispanic or Latino</i>	13	2.5	1,178	4.2	25	2.8	38	2.7
<i>Not Hispanic or Latino</i>	471	90.8	22,008	79.2	801	90.6	1,272	90.7
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	7	1.3	265	1.0	12	1.4	19	1.3
<i>Ethnicity Not Available</i>	28	5.4	4,322	15.6	46	5.2	74	5.3
Total	519	100.0	27,773	100.0	884	100.0	1,403	100.0

Source: 2000 US Census, 2009 and 2010 HMDA LAR, 2010 HMDA Aggregate Data

The Bank's performance exceeded the 2010 aggregate's performance level for minority applicants. The Bank received 6.4 percent for minorities while the aggregate was 5.7 percent. The Bank's performance was slightly below the 2010 aggregates' performance for ethnic minorities. The Bank received 4.2 percent while the aggregate received 5.2 percent for ethnic minorities.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is considered reasonable.

APPENDIX B

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of geography.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 314 High Street, Holyoke, MA."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.